

## Message Text

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ORIGIN EUR-03

INFO OCT-01 ISO-00 ONY-00 /004 R

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APPROVED BY EUR/EE:N G ANDREWS  
DESIRED DISTRIBUTION  
FOR EUR/EE ONLY; 3 COPIES ONLY  
-----079278 121227Z /53

R 112216Z MAY 78  
FM SECSTATE WASHDC  
TO AMEMBASSY BELGRADE

C O N F I D E N T I A L STATE 120822

FOR WORTZEL FROM ANDREWS

E.O. 11652: GDS

TAGS: OGEN, YO

SUBJECT: OFFICIAL/INFORMAL

1. TEXTILE NEGOTIATIONS. THE TEXTILE NEGOTIATIONS ENDED TODAY WITH NO AGREEMENT ON NUMBERS BUT RATHER A DECISION TO RESUME DISCUSSIONS IN BELGRADE IN JUNE. THE YUGOSLAV DELEGATION ANNOUNCED THAT IT WAS NOT AUTHORIZED TO AGREE AT THIS TIME TO LIMITS ON MAN-MADE FIBER SUITS AND PROPOSED THE FOLLOWING AGREEMENT ON WOOL SUITS ONLY: 1978-97,000; 1979-106,700; 1980-117,670, FOR A TOTAL OF 321,370 SUITS IN THREE YEARS. (THIS REPRESENTS 10 PERCENT ANNUAL GROWTH.) SMITH OF STR, WHO CHAIRED US DELEGATION, RESPONDED THAT HE WAS UNABLE TO ACCEPT THIS PROPOSAL, SINCE THE 1978 BASE WAS TOO HIGH AND THE ANNUAL GROWTH RATE WAS MUCH TOO HIGH IN THE ABSENCE OF A COVERING AGREEMENT INCLUDING ANOTHER CATEGORY. NEVERTHELESS, HE SAID THE YUGOSLAV PROPOSAL "WOULD BE TAKEN UNDER ADVISEMENT". (THE YUGOSLAVS  
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ADMITTED INFORMALLY THAT THEY HAD UNDERESTIMATED THE DEGREE OF INTEREST IN BELGRADE IN MAN-MADE FIBERS. THIS IS NOT SURPRISING SINCE THE YUGOSLAVS NOW UNDERSTAND THAT WITH NO PROSPECT FOR GROWTH IN US MARKET FOR WOOL SUITS, THEY DO NOT WISH TO PLACE THEMSELVES UNDER TIGHT LIMITS FOR MAN-MADE FIBER SUITS. THE FACTORIES PRODUCING WOOL SUITS CAN SWITCH OVER TO MAN-MADE FIBER.) SMITH EXPLAINED AGAIN THAT

OUR BASIC PROBLEM IS WOOL; IF THE YUGOSLAVS WERE WILLING TO BE LESS DEMANDING ON WOOL, WE COULD BE FAR MORE FLEXIBLE ON MAN-MADE FIBER. THE YUGOSLAV DELEGATION ASKED JUST HOW FLEXIBLE BUT SMITH WAS UNABLE TO GIVE A DEFINITE NUMBER ON THE SPOT AND PROMISED INSTEAD THAT WE WOULD RESPOND THROUGH OUR EMBASSY ON MONDAY. (IT IS UNDERSTOOD BY BOTH SIDES THAT THIS FIGURE FOR MMF WILL ASSUME A NUMBER OF NOT LESS THAN 92,400 WOOL SUITS PER YEAR.) BOTH SIDES ALSO AGREED THAT, PENDING RESUMPTION OF DISCUSSIONS, THE YUGOSLAVS WILL NOT SHIP MORE THAN 92,400 WOOL SUITS FOR ANY 12-MONTH PERIOD. WEEKS OF JUNE 12 AND JUNE 26 WERE MENTIONED AS PROBABLE DATES FOR NEGOTIATIONS IN BELGRADE, BUT DEFINITE DATE WILL BE GIVEN THE YUGOSLAVS ON MONDAY.

2. DJURANOVIC PROGRAM. AT BELOVSKI'S SUGGESTION WE HAVE BEEN URGING CHASE TO ORGANIZE A LUNCHEON OR DINNER IN NEW YORK TO BE HOSTED BY ROCKEFELLER, WHICH WOULD INCLUDE PROMINENT US BUSINESSMEN. (WRISTON OF CITIBANK HOSTED A SIMILAR RECEPTION FOR BIJEDIC IN 1976.) WE DON'T YET HAVE A DEFINITE RESPONSE FROM CHASE, BUT AMBASSADOR MIGHT WISH TO WEIGH IN. BELOVSKI ALSO ASKED FOR A SEPARATE VANCE-VRHOVEC MEETING IN WASHINGTON, IN ADDITION TO THE VANCE BILATERAL IN NEW YORK WITH BOTH DJURANOVIC AND VRHOVEC. WE HAVE TOLD BELOVSKI THE CHANCES ARE ALMOST NIL, IN CONFIDENTIAL

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LIGHT OF THE SECRETARY'S IMPOSSIBLE SCHEDULE THAT WEEK.

3. USYEC MEETING. WE ARE PUSHING COMMERCE TO COME UP WITH A REPLACEMENT FOR MARCUSS, AND THE LIKELY CANDIDATE IS NOW ACTING DEPUTY ASSISTANT SECRETARY FOR BIEPR ABBUHL. ALTERNATIVES ARE BOB SIMPSON, DIRECTOR OF OFFICE OF COUNTRY AFFAIRS AND ROGER SEVERANCE, DEPUTY DIRECTOR. (IN ANY CASE, AN IMPROVEMENT OVER LINDSTROM.)

4. VANCE-MINIC LETTER. WE ARE STILL HAVING DIFFICULTY GETTING ANY MEANINGFUL REPORT ON SECRETARY'S MOSCOW VISIT, WHICH IS BEING HELD VERY CLOSELY. WE'LL DO OUR BEST ON BEATING MINIC DEPARTURE, BUT -- JOHNSON'S PROMISE NOT WITHSTANDING -- WE MAY NOT MAKE IT BY MONDAY. VANCE

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**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014